

{As Prepared for Delivery}

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**Thomas C. Dorr
Under Secretary for Rural Development
“Building Stronger Rural Economies”**

Thank you for that very generous introduction. It is a great pleasure to be with you here today.

I am especially delighted to be here with Jim Andrew, who was confirmed three months ago as Administrator of our utilities program. Jim is, of course, a long-time colleague of yours -- a long-time Board member and indeed a past President of this great organization.

Jim brings a lifetime of experience and expertise and commitment to our mission and we are fortunate indeed to have him on board.

Commitment is a big part of what I want to talk about today. From a USDA Rural Development standpoint, it's important to begin by noting that our commitment and our development strategy reflect two things ...

- **First, our own assessment of the challenges and opportunities facing rural America today,**
- **And secondly, some very clear priorities that have been set by President Bush.**

This is, in fact, a commitment that starts right at the top. President Bush, as you know, makes his home in Crawford, Texas, population 700. He gets his electricity from a rural electric coop. He gets his water from a USDA Rural Development financed water system. When it comes to economic opportunity and the quality of life in rural America, he “gets it.”

In fact, when the President first discussed this job with me, one of the first things he said to me was, “Tom, what do you think about water?”

I had the same reaction you probably just did, which is that this is not what you expect to hear from the President of the United States.

But what he was driving at was that his part of Texas was suffering from a drought. He was about to run out of water, as were all his neighbors.

He wanted me to understand that he knew -- up close and personal -- how vitally important rural infrastructure truly is. All of it, whether it's electricity, water, wastewater, telecommunications, or broadband.

The President understands that infrastructure doesn't happen by itself. It happens because folks like you get up every morning and go to work.

And he understands that this only happens because organizations like NRECA in the private sector -- and USDA Rural Development on the government side -- are there to support your efforts.

We've been partners for over 60 years. The REA was formed in 1935 and NRECA in 1942 ...

... And I will crawl out on a limb to suggest that this has been, perhaps, the most successful public-private partnership in American history.

Today, our partnership remains as strong and as vital as ever. So as we face the challenges ahead -- and there are always challenges -- I want you first and foremost to know that we will work through them together.

Obviously our first challenge will be meeting the very significant growth in demand projected over the next several decades. Jim Andrew has already discussed the numbers. It's going to be a big job. But we have a model that works. We'll get it done -- together.

As we look ahead to that growth, however, there is a larger question -- and it's the question that has been posed for Glenn and me today.

This breakout session is entitled "Building Stronger Rural Economies," and I truly believe that this is an era of extraordinary opportunity for rural America. But to realize that potential, we have work to do.

There are three factors that stand out as potentially transformative – as historically unprecedented opportunities for wealth creation in rural America. These are Place, Connectivity or Broadband, and Energy. I'd like to address each of them in turn.

"Place" is peace and quiet, green fields, and fishable streams. It's lower taxes and a lower cost of doing business. It's affordable housing and a big yard for the kids. It's the pace of life, low crime, and good schools.

These things are significant rural comparative advantages. You know, in the 5 years I've been in Washington, D.C., I've never seen a real estate ad boasting about a bigger mortgage for a smaller house, higher taxes, more noise, crime, and a three hour commute.

Rural communities that can provide good jobs, quality healthcare, and good schools are great places to live. "Place" may be an intangible, but it is a set of qualities that attracts investment and drives growth in an increasing number of rural communities today.

This hits close to home. For decades, rural communities have lacked opportunities for young people. Most kids left after finishing school. Very few college graduates came back. In my class, for example, I may have been the only one who returned to a family farm -- I'm not really sure, but I was certainly one of very few, if not the only one.

Our first goal, therefore, is simply to create communities where our kids have a future. If their talents and ambitions take them around the world, that's great -- and we want them to have that opportunity -- but they shouldn't be forced to leave because there is nothing at home.

Sometimes people ask me if I really want rural America to become a magnet for more people, businesses, and jobs. My answer is that if we want a rural economy where our own kids can find good jobs, growth will come -- and we'd better start planning on how to make it work.

A second opportunity arises from the communications revolution, especially broadband. IT is producing the most radical decentralization of information in human history -- and it's happening at a critical moment in history.

Since the fall of the Berlin Wall, between 2 and 3 BILLION people have joined the world market system. Some are strong competitors. That's a challenge. But another word for all these people is customers.

Either way -- competitor, customer, or both -- in sheer numerical terms we have just experienced the greatest expansion of economic freedom and opportunity in human history, and the opportunities are enormous.

Put this together with the broadband revolution, and it means we on the leading edge of a new world in which every person is going to be connected -- more-or-less instantaneously -- with everyone else.

For rural communities, the implications are truly exciting. With the internet, we no longer need everyone in the same building so they can talk or shuffle paper from desk to desk. Administrative structures, manufacturing, and distribution networks can be decentralized.

To a degree unprecedented in history, people are going to have real choices about where to live and how to work.

From a rural development perspective, this leverages “Place.”

Bottom line, you can live locally and compete globally.

The internet, and especially broadband, make rural communities more competitive than they have been in generations. In the process, it’s creating the best new business development opportunity you have had for decades. The spatial organization of America is being reengineered ...

... And I am convinced, if we do our jobs right, that smaller cities, small towns, and rural areas indeed have a very bright future in store.

Jim Andrew has a full plate, but one of the top priorities we've tossed his way is accelerating the deployment of rural broadband. As Jim mentioned, all of you have a role to play as community and business leaders back home in helping the communities you serve get connected.

But in addition, as I'm sure you know, one of the technologies in play is broadband over power lines, where we recently financed our inaugural project. So in addition to your role as community leaders, you may also have a direct role to play as a provider. I hope you will put broadband on your radar screen. This is critically important to the future of rural communities -- and it's a potential business opportunity for you.

Finally, rural America has a major new cash crop – energy. President Bush spoke to this in his State of the Union address last month, and he's backed up the speech with major new funding proposals for research on wind, cellulosic ethanol, clean coal, and new generation nuclear power.

It's important to know that the President didn't come to this issue yesterday. I've known President George Bush for several years, well

before he ran for office. America's dependence on imported oil is something he's been thinking and talking about for many years.

That's why he made a comprehensive energy bill a first priority in 2001.

That's why he fought for four years to get it passed. And that's why he returned to the subject again last month.

The commitment is there ... And frankly, thanks to \$60 barrel oil, so is the opportunity:

- U.S. ethanol production in 2005 exceeded 4 billion gallons. The 7.5 billion gallon renewable fuels standard in the Energy Bill will be met well ahead of schedule.**
- Biodiesel usage has soared from about 5 million gallons in 2001 to 25 million gallons in 2004 to 75 million gallons last year.**
- U.S. wind power capacity by the end of last year reached 6,740 Megawatts. Another 5,000 MW are currently under construction**

or in negotiation. The Department of Energy estimates that wind can generate at least 6% of U.S. electricity by 2020.

- We are also investing in direct combustion, methane gas recovery, solar, geothermal, and hydrogen applications.
- Adding it up, since 2001 USDA Rural Development has invested almost \$290 million in new energy sources, in addition to our conventional utility lending, and we are making energy a top priority across the board for 2006.

Energy from agriculture, in fact, offers the rural economy its biggest new market in history, which makes it a top priority from a rural development perspective. But it's not automatic. And this is where I want to issue a challenge.

The challenge is straightforward. We need your help.

USDA Rural Development is a development bank for rural America. In 2006 we will invest over \$17 billion in rural infrastructure, housing,

community facilities, business development, and job creation. Since 2001, we've invested over \$63 billion and created or saved over 1.1 million jobs in rural communities. These are significant sums.

But in the broader scheme of things, it is a drop in the bucket. Rural America covers three quarters of the land mass of the United States. It is home to 65 million people. It is incredibly diverse. Every community is unique. The job, therefore, is much bigger than us.

We can supply investment capital and technical advice. We have a wide range of programs in our toolbox and the commitment of President Bush and Secretary Johanns to a strong energy policy.

But in the end, we can't do it alone. Sustainable development must be market driven and community based. That means we need you -- not only as an association, but also back home on a company-by-company and even an individual basis.

We need you to step up as community leaders, as partners for economic development, as investors, as providers.

In hundreds of small towns across rural America -- where the bank is gone, main street is empty, the newspaper has disappeared, the schools have consolidated, and the young people leave -- you may very well be one of the key players in town. We need you to get involved.

We also need your direct participation in the development of renewable energy. You are already in the energy business. Many of you are already diversifying into renewable energy -- wind, solar, biomass -- as part of your portfolio, and that's great.

In addition, NRECA recently joined the 25X25 coalition, which is committed to supplying 25% of America's power with renewables by the year 2025. I want to commend you for your leadership in this area.

So my challenge, for those of you who haven't already done so, is simply to get off the sidelines and get into the game.

The new energy sources coming on line are predominately rural in location and distributed in character. Distributed energy production is a natural fit for the cooperative model. The potential is unlimited.

These energy resources ARE going to be developed. The issue is financing, ownership, and control. I am the last person to stand in the way of the free flow of investment capital, but we will have missed an historic opportunity if – 20 years down the road:

- **International Ethanol Amalgamated, based in Sao Paulo and funded with Middle Eastern petrodollars, owns most of the ethanol capacity,**
- **A European-led consortium owns and operates the wind farms,**
- **Rural America participates mostly as a vendor, with farmers getting an extra 5 or 10 cents a bushel,**
- **And this extraordinary opportunity for wealth creation in rural America passes us by.**

We can do better. We must.

I know that distributed power generation poses some problems for utilities. Those problems are somewhat simplified if YOU own the

resource. They are somewhat compounded if others – local farmers and landowners – own the resource and want to connect to the grid.

These are issues that we will have to work through, and work through together. But the opportunity is enormous.

I commend those of you who are already active in this area. I am an unabashed optimist about the future of rural America.

And on behalf of President Bush, Secretary Johanns, and a great team at USDA Rural Development, we look forward to working with you to realize that potential.

Thank you.